

VZCZCXRO1241
RR RUEH DU RUEHJO
DE RUEHSA #1833 1411127
ZNR UUUUU ZZH
R 211127Z MAY 07
FM AMEMBASSY PRETORIA
TO RUEHC/SECSTATE WASHDC 9927
INFO RUEHTN/AMCONSUL CAPE TOWN 4374
RUEH DU/AMCONSUL DURBAN 8847
RUEHJO/AMCONSUL JOHANNESBURG 6796

UNCLAS PRETORIA 001833

SIPDIS

SIPDIS

DEPT FOR AF/S; AF/EPS; EB/TPP
USDOC FOR JDIEMOND
USTR FOR PCOLEMAN
TREASURY FOR TRAND

E.O. 12958: N/A

TAGS: [ETRD](#) [ECON](#) [USTR](#) [SF](#)

SUBJECT: SOUTH AFRICA INITIATES INVESTIGATION FOR REMEDIAL
ACTION AGAINST INCREASED IMPORTS OF LYSINE

1. South Africa's International Trade Administration Commission (ITAC) provided post with notice that it has initiated an investigation for remedial action in the form of a safeguard against the increased imports of lysine as provided in its Government Gazette notice dated May 11, 2007.

On the basis of information available, ITAC also made a preliminary determination that the surge in imports is causing serious injury to the Southern African Customs Union (SACU) industry and is imposing provisional measures due to critical circumstances. ITAC is currently in the process of notifying all countries that may be significantly affected by the safeguard measure. The time-limit for comments is 15:00 on May 31, 2007.

2. South African company SA Bioproducts (Pty) Ltd, the sole producer of L-Lysine HCI (Feed Grade) min 98.5% (subject product) in the SACU, claims that a surge in imports of L-Lysine is causing serious injury to the SACU industry. SA Bioproducts submitted information that China's 100,000 tons of installed capacity for lysine in 2003 rose to 480,000 tons of installed capacity in 2006. According to SA Bioproducts' submission, China producers had overshot market needs and this encouraged them to dispose of this surplus capacity, thereby impacting world prices and forcing exporters to export at very low prices. ITAC "decided that the expansion of capacity and oversupply in the world, which occurred after the negotiation of the relevant tariff concessions, could not have been foreseen at the time the concessions were negotiated and therefore represent unforeseen developments, in accordance with Article XIX of the GATT." Based on this decision, ITAC requested the Commissioner for South African Revenue Service to impose provisional measures for a period of 200 days being a price disadvantage of 160 per cent ad valorem on L-Lysine HCI (tariff subheading 2922.41) and L-Lysine Sulphate (tariff subheading 2309.90.65).

3. A full copy of ITAC's Notice, Investigation Report, and SA Bioproduct's completed application for remedial action are located at post and can be forwarded via email if requested. Please contact Trade and Investment Officer Leslie Freriksen at freriksenld@state.gov to obtain a copy.

Bost